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BALANCE TO 1985

REF: (A) OECD PARIS 5279, (B) CPE/TWP(77)1

1. REFDOC ON "OPEC CURRENT BALANCE TO 1985" ISSUED
FEB. 24 (DESPITE FEB. 21 DATE). COPIES BEING HELD FOR
MEMBERS OF WP-3 AND EPC DELEGATIONS, AND SINGLE COPIES
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2. IN REFDOC SECRETARIAT UPDATES EARLIER ASSESSMENT OF
MEDIUM-TERM PROSPECTS FOR OPEC CURRENT BALANCE TO TAKE
INTO ACCOUNT, INTER ALIA, REVISIONS TO PROJECTIONS OF
ENERGY SUPPLY/DEMAND AS CONTAINED IN OECD'S JAN. 1977
WORLD ENERGY OUTLOOK (WEO) AND REVISED ESTIMATES OF
OPEC ABSORPTIVE CAPACITY, DRAWING ON EARLIER US NOTE
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(CPE/TWP (75)7). RESULTS PRESENTED FOR "BASE CASE",
WHICH ASSUMES A RAPID RETURN TO OPEC UNIFORM PRICING
AND GROWTH OF OECD OUTPUT THROUQH MID-1980'S AT AVERAGE
RATES ADOPTED IN "GROWTH SCENARIO." SECRETARIAT MODI-
FIES WEO CONSTANT PRICE APPROACH BY ASSUMING THAT PRICES
OF ALL TRADED GOODS INCREASE ANNUALLY BY SIX PERCENT
THROUGH 1980 AND FIVE PERCENT THEREAFTER (SOME PRICE

ASSUMPTION IS NECESSARY IN ORDER TO PROJECT VALUE OF STOCKS OF ASSETS OVER TIME). SENSITIVITY ANALYSIS PROVIDES ALTERNATIVE RESULTS IF ASSUMPTIONS VARIED RE OECD GROWTH RATE, RELATIVE PRICE OF OIL, REAL INTEREST RATES ON FOREIGN ASSETS, LOW ABSORBERS' IMPORT GROWTH, HIGH ABSORBERS' SHARE OF OPEC OIL EXPORTS, AND EXISTENCE OF BOP CONSTRAINT FOR HIGH ABSORBERS. OTHER ALTERNATIVES ARE ALSO EXAMINED: (A) CONTINUED DIFFERENTIAL PRICING; (B) RELATIVE OIL PRICE INCREASE COUPLED WITH REDUCED OECD IMPORTS; AND (C) "ACCELERATED POLICY" OF OECD ENERGY CONSERVATION. ANNEXES PROVIDE DETAILS OF DATA AND METHODOLOGY.

3. FOLLOWING DATA, IN BILLIONS OF CURRENT DOLLARS, ARE SUMMARY RESULTS OF BASE CASE PROJECTIONS FOR 1980 (CURRENT BALANCE INCLUDES OFFICIAL TRANSFERS; FOREIGN ASSETS REPRESENT CUMULATIVE NET STOCK POSITION AT END OF YEAR):

	OPEC TOTAL	LOW ABSORBERS	HIGH ABSORBERS
CURRENT BALANCE	27	30	MINUS 3
FOREIGN ASSETS	208	247	MINUS 39

EQUIVALENT FIGURES FOR 1985 ARE:

CURRENT BALANCE	5	14	MINUS 8
FOREIGN ASSETS	275	347	MINUS 72

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(IN BILLIONS OF 1976 DOLLARS, 1985 CURRENT BALANCE FOR OPEC TOTAL IS 3 AND NET STOCK OF FOREIGN ASSETS IS 170.) TABLE PRESENTS DETAILED PROJECTIONS FOR EXPORTS, IMPORTS AND INVISIBLES.

4. COUNTERPART OF EVOLUTION OF OPEC CURRENT BALANCE EXPECTED TO BE REFLECTED LARGELY IN OVERALL OECD CURRENT BALANCE. SECRETARIAT SEES NON-OIL LDC'S AS WISHING TO RUN LARGEST POSSIBLE CURRENT DEFICIT--PERHAPS \$5 BILLION GREATER IN 1980 THAN IN 1976, AT CURRENT PRICES. OVERALL SINO-SOVIET CURRENT DEFICIT EXPECTED TO NARROW. GIVEN \$20 BILLION REDUCTION IN OPEC CURRENT SURPLUS BY 1980 UNDER BASE CASE, OECD CURRENT BALANCE WOULD BE CLOSE TO ZERO IN 1980 AND COULD BE IN SUBSTANTIAL SURPLUS BY MID-1980'S.
KATZ

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